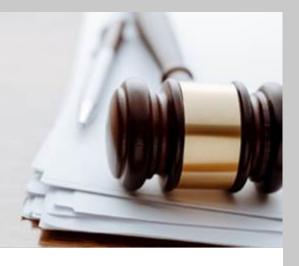


Legal News Update

KPMG in Thailand



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Preparing for the new law: Single Shareholder Company

The concept of single shareholder company has been in many discussions for quite some time in Thailand. Single shareholder company is not new in many countries. The single shareholder company allows flexibility to many entrepreneurs or sole proprietors who want to start their own businesses. According to the Thai Civil and Commercial Code ("CCC"), it requires at least 3 shareholders to form a limited company. However, in many cases, one shareholder holds most of the shares in the limited company and have other two shareholders holding minimal shares so as to qualify on the number of shareholders. As such this new law is expected to help increasing the number of registered companies in the system as the requirements for registering the company have been removed, especially, the minimum number of shareholders and thereby reduce the possibility of conflict among shareholders. It is expected that, apart from encouraging an individual to run his or her business in the form of the corporate entity, this development might stimulate the presence of small businesses in Thai economy.

Key summary of the draft of Single Shareholder Companies Act.

- The single shareholder company is a separate legal entity from the shareholder's personal assets. In addition, the single shareholder's liability is not exceeding the amount of the company registered capital.
- For the company's name, the word "(Single Shareholder)" must be contained as a suffix of the single shareholder company's name or the abbreviation of single shareholder company, e.g. BorJorKhor. (บจค.) must be indicated prior to the actual name of the single shareholder company
- Only one person can set up a single shareholder company. That person must be an individual.
 A juristic person cannot be a shareholder of the single shareholder company. That is, during the single shareholder company's operation, the single shareholder cannot register another company at the same time.
- In case of significant change of the company, such as change of the Articles of Association, instead of the approval from shareholders' meeting, the approval letter from single shareholder is required.
- The registered capital of the single shareholder company can consist of both money and other
 assets. However, if the capital is money, it must be fully paid up. On the other hand, if the capital
 is other assets, it must be appraised and transferred to the company within 90 days from the
 registration date.
- The single shareholder is entitled to transfer or pledge his or her Certificate of Contribution (the
 document representing the single shareholder's right over the single shareholder company)
 subject to the provisions stipulated by this proposed law.
- The single shareholder can serve as a manager of the company and be able to appoint another, one person or more to be managers of the company.
- The single shareholder company has to prepare financial statements which have to be examined by the certified public auditor.
- The dividend cannot be distributed if the company is a deficit. Also, at the time of dividend distribution, the single shareholder company has to set a legal reserve not less than 5 (five) percent of the annual net profit until this reserve reaches 10 (ten) percent of the registered capital.
- The single shareholder company can be converted to a limited company under the CCC.

Status of the draft law

In September 2020, a public hearing process was conducted by the Department of Business Development (the Ministry of Commerce). It is expected to be enacted in the near future. We will keep you updated on how it progresses.

How can we assist you?

Even this draft legislation aims to ease the criteria of the company formation, there are details that you would need to carefully consider before the implementation including analysis of other laws related to foreign business participations and special licenses, etc. A thorough analysis could be helpful for your decision making. We are more than happy to assist and guide you through the requirements of the relevant business formations.

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